

Message Text

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PAGE 01 BRASIL 07887 102152Z

63

ACTION XMB-04

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 TRSE-00 OPIC-03

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O R 102130Z SEP 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 7772

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 7887

E.O. 11652: N/A

TAGS: BPRO, BR

SUBJ: PROPOSED EXIM BANK TO BANK LINE OF CREDIT

REF: (A) BRASILIA 7832; (B) STATE 214197

1. THE EMBASSY WISHES TO CLARIFY THE NATURE OF THE LITIGATION INVOLVING BANCO ECONOMICO MENTIONED IN REFTEL A, WHICH MAY HELP EXIMBANK DETERMINE WHETHER TO GUARANTEE THE MORGAN LINE OF CREDIT. EMBASSY WOULD PERCEIVE NO OBJECTION IF EXIMBANK DECIDES TO GRANT APPROVAL, BASED ON THIS ADDITIONAL INFORMATION.

2. BANCO ECONOMICO'S CURRENT LITIGATION STEMS FROM ITS REFUSAL TO HONOR TWO OF ITS OWN CASHIER'S CHECKS (FOR A TOTAL OF CR 195 MILLION), WHICH IT CLAIMS WERE ISSUED ILLEGALLY BY ONE OF ITS OFFICERS. AS FAR AS WE KNOW, AND THIS HAS BEEN CONFIRMED BY SOME BANKING SOURCES, THE LITIGATION DOES NOT REFLECT FINANCIAL DIFFICULTIES WITH THE BANK. IN ORDER TO DEMONSTRATE THAT THE MATTER DID NOT HAVE A FINANCIAL CHARACTER, BANCO ECONOMICO HAS DEPOSITED THE CR 195 MILLION WITH THE CENTRAL BANK AND HAS STATED THAT IT WOULD ABIDE BY THE COURT DECISION (I.E., HONOR THE CHECKS IF THE COURT SO RULES).

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PAGE 02 BRASIL 07887 102152Z

3. A BRANCH OF BANCO ECONOMICO HAD ISSUED THESE TWO CASHIER'S

CHECKS BEFORE HAVING THE FUNDS ON HAND, WHICH IS CONTRARY TO NORMAL BANKING PRACTICE IN THE ISSUANCE OF SUCH CHECKS. THE ALLEGATION IS THAT THE BANK OFFICER INVOLVED IN SUCH ACTIVITY WAS RECEIVING A "KICK-BACK" FROM THE BANKS TO WHOM THE CHECKS WERE ISSUED. THE TWO RECIPIENT BANKS INVOLVED IN THIS INCIDENT WERE THE INTER-CONTINENTAL AND THE SOCOPA BANKS. THESE TWO BANKS HAVE TAKEN BANCO ECONOMICO TO COURT.

4. WE UNDERSTAND FROM THE MORGAN GUARANTY'S OFFICE IN SAO PAULO THAT THE PROPOSED BANK TO BANK LINE OF CREDIT MAY HAVE TO DO WITH A NEWLY-INSTITUTED PROGRAM BY EXIMBANK WHICH IS TO REPLACE THE EXISTING CFF PROGRAM. EMBASSY WOULD APPRECIATE DETAILS ON THIS NEW PROGRAM, IF IN FACT IT HAS BEEN SET UP.

CRIMMINS

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Margaret P. Grafeld
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